

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 57907

**WHITMAN COUNTY, WASHINGTON**

January 1, 1995 Through December 31, 1995

Issue Date: December 20, 1996

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**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Laws And Regulations  
At The Financial Statement Level (Plus Additional State Compliance  
Requirements Per RCW 43.09.260)**

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated November 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Whitman County is the responsibility of the county's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the county complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the county's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the county and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted instances of noncompliance immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report.

We also noted matters involving noncompliance with laws and regulations related to federal financial assistance which were reported to the county's management in our report on general requirements and in the Schedule of Federal Findings.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

November 13, 1996

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Internal Control Structure  
At The Financial Statement Level**

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the general-purpose financial statements of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated November 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the county, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted reportable conditions that we believe to be material weaknesses, which are identified in the Schedule of Federal Findings accompanying this report.

We also noted matters involving compliance with laws and regulations related to federal financial assistance which were reported to the county's management in our report on general requirements and in the Schedule of Federal Findings.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

November 13, 1996

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The County Should Develop And Implement Internal Controls Over Payroll

Our audit of the county's payroll system revealed the following internal control weaknesses:

- a. There is inadequate segregation of duties. The payroll clerk makes all additions, deletions, and changes to individual employee masterfile information; inputs payroll detail from time records; processes monthly payroll; and batches payroll warrants and output reports for distribution to departments.
- b. There is no review of the work performed by the payroll clerk. Computer input is not independently reviewed for accuracy, payroll journals are not consistently reviewed by department heads, employee listings are not reviewed by human resources, and voucher approval and direct deposit registers are not reviewed or approved by the auditor or commissioners.
- c. There is a lack of uniform payroll policies and procedures. Each department operates autonomously with regard to the type of time records utilized and the submission of time records to the payroll clerk.
- d. There is no review and approval of department head time records.
- e. There is no cross training for the duties of the payroll clerk and no written procedures as to the required tasks to be performed.

These conditions were reported during the prior audit. The county has plans to improve the controls over payroll, but employee turnover in the auditor's office has affected the timeline for these improvements and no significant progress has been made in the areas noted.

We consider the conditions noted above to be material weaknesses in the payroll internal control system. Inadequate systems of internal controls present individuals with the opportunity to perpetrate and conceal fraudulent activity without detection or allow inadvertent errors to occur and not be detected in a timely manner.

We recommend the county develop and implement internal controls over payroll which:

- Segregate the personnel and payroll processing functions.
- Provide for review of the payroll clerk's work.
- Provide for uniformity in payroll procedures across all departments.
- Require review of department head time records
- Ensure county payroll could be processed in the absence of the payroll clerk



### Auditee's Response

*As the state examiners themselves pointed out, the internal control weaknesses they have expressed concern about are nothing new. Each previous audit, although admitting that the current system seems to be working efficiently and without major problems, had raised the same concerns.*

*Efforts ARE being made on the part of the Auditor's Office to address and resolve all of these concerns. HOWEVER, it must be pointed out that the current situation has come about due to years of under staffing of the auditor's office. Lack of personnel meant that duties had to be consolidated in the hands of a few individuals REGARDLESS of internal control worries, simply because there was no other way to get the job done. IF staffing levels are allowed to remain at adequate levels, then duties can be spread out among office personnel, and better safeguards established. IF, however, the Commissioners reduce the Auditor's Office staff, then the examiners' recommendations are irrelevant because we will not have the people to implement them. And it must be stated that the duties in question ARE Auditor's Office duties; no other department can - or will be allowed to - do them.*

#### **EXAMINER'S RECOMMENDATIONS:**

- 1) *Segregate the personnel and payroll processing functions.*

*Given the current circumstances, this is impossible. Information on deductions is contained on the computer personnel records, and the computer refers to that information when it is calculating payroll checks. That information has to be changed as the payroll is processed, for instance in setting the amount of direct deposits, or Idaho income tax. There is no program in place to figure these amounts automatically; it must be done by the payroll clerk for each payroll and manually adjusted. This could of course be changed at the cost of hundreds of man-hours of time spent reprogramming our current computer software, assuming the County was willing to shoulder the risk of disastrous delays and disruptions should unexpected errors pop up after the reprogramming.*

*In addition, frequently there are changes in employee personnel records right up to the moment payroll is run as new board orders are issued, employees file new W-4's and sign up for new deductions, garnishments on employee wages are received, etc. And that does not even begin to discuss the taxing districts, where new people are added constantly. Payroll and personnel processing CAN NOT BE SEPARATED at this time without running the great risk of unnecessary delay and disruption in the issuing of payroll warrants, a legally indefensible position.*

- 2) *Provide for review of the payroll clerk's work.*

*There is not sufficient time to do this during payroll processing, it would have to be after the fact; and there is the problem of who would do it. The department heads are ALREADY supposed to be examining the information they get with their departments' paychecks to make sure what was issued conforms to what they submitted; if they are not bothering to do so, that is a matter for the commissioners. As for review of the payroll clerk's work as a whole, once again, it comes to available staff. This is an auditor's office matter; if there is sufficient manpower to do the job, then it can be done; if available manpower in the auditor's office is reduced below adequate levels, then it can not.*

- 3) *Provide for uniformity in payroll procedures across all departments.*

*A matter for the commissioners. One of the reasons there is such lack of uniformity among departments is that due to rapid turnover of employees, the person within the department charged with filling out payroll forms can be here today, gone tomorrow. And the payroll*

*clerk does not have the time to train each new person on the proper way to do things. Especially since such effort will be wasted if that person leaves in a few months, as happens all too frequently.*

- 4) *Require review of department heads' time records.*

*Another matter for the commissioners; the auditor's office cannot force department heads--most if not all of whom are FLSA exempt--to submit time records for themselves.*

- 5) *Ensure county payroll could be processed in the absence of the payroll clerk.*

*This is to a large degree dependent on staffing levels and circumstances. If there are enough workers in the auditor's office so that time can be found to train a back up payroll clerk, then it will be done. In fact, efforts have already been made in this regard. If there are not sufficient workers to allow this--or if the person trained as back-up leaves for a better paying job--then the current situation will be unchanged.*

#### Auditor's Concluding Remarks

We appreciate the county's response on this issue. The conditions discussed in the audit finding relate to fundamental requirements of internal control over the personnel and payroll system. We reaffirm our finding.

#### 2. The County Should Adhere To Requirements Related To The Documentation And Authorization Of Claims

During our review of county claims we noted the following weaknesses:

- a. Approximately 40 percent of the claims selected for review did not contain original vendor invoices, receipts or other original support to validate the claim. Many of the exceptions related to expenditures charged to credit cards and employee reimbursement requests. We noted the following inadequate support:
  - Photocopied receipts or invoices.
  - Payments from vendor statements with no supporting invoices or receipts.
  - Hand written listing of meals or other travel expenses with no supporting receipts and, in some instances, no indication of the vendor paid.
  - Meal receipts and credit card slips which contained no detail of the items purchased and no indication of the business purpose.
- b. Approximately 30 percent of the claims reviewed did not contain proper authorization and approval. We noted the following types of inadequate approval:
  - Department heads approved their own personal reimbursements and travel claims with no independent review.
  - Claim form "payment" certifications which were not signed or dated.
  - Claim form "sufficient budget" certifications which were not signed.

- Travel reimbursements with no itemized travel expense voucher or signed certification.
- c. We noted instances of vendor statements with credit balances where it appeared payments were either applied to inappropriate accounts or invoices were paid in duplicate.
- d. One instance was noted where no competitive bids were received for a purchase in excess of \$20,000. The authorizing department head maintains that the purchase had a single source of supply but there was no documentation to support this exception to the bid requirements. Since the purchase was for a used vehicle, we do not consider this clearly and legitimately limited to a single source without documentation of the process used to acquire the vehicle.
- e. The county has no formal process to uniformly address instances of lost receipts or other missing support for claims. Since these situations can arise in any organization, procedures for providing substitute documentation and approval of these claims should be considered and included as part of official policies and procedures.

RCW 42.24.080 states in part:

All claims presented against any county . . . by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose shall be audited, before payment, by an auditing officer elected or appointed . . . Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer . . . .

RCW 42.24.090 also states in part:

No claim for reimbursement of any expenditures by officers or employees of any municipal corporations or political subdivision of the state for transportation, lodging, meals or any other purpose shall be allowed by any officer, employee or board charged with auditing accounts unless the same shall be presented in a detailed account . . .

All claims authorized under this section shall be duly certified by the officer or employee submitting such claims on forms and in the manner prescribed by the state auditor.

RCW 43.24.115 further states in part:

. . . (2) If a charge card is issued for the purpose of covering expenses relating to authorized travel, upon billing or no later than thirty days of the billing date, the officer or employee using a charge card issued under this section shall submit a fully itemized travel expense voucher. . . .

RCW 43.24.150 states in part:

On or before the fifteenth day following the close of the authorized travel period for which expenses have been advanced to any officer or employee, he shall submit to the appropriate official a fully itemized travel expense voucher, for all reimbursable items legally expended . . . .

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments . . .

The system shall exhibit true accounts and detailed statements of funds collected, received and expended for account of the public for any purpose whatever, and by all public officers, employees and other persons.

The accounts shall show the receipt, use, and disposition of all public property . . . and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . (Emphasis ours.)

RCW 43.19.1906 states in part:

Insofar as practicable, all purchases and sales shall be based on competitive bids . . . However, formal sealed bidding is not necessary for: . . .

(3) Purchases which are clearly and legitimately limited to a single source of supply and purchases involving special facilities, services or market conditions, in which instances the purchase may be best established by direct negotiation . . .

Noncompliance with the stated requirements occurred because the county had no formal policy to require adherence to the requirements and accurate, comprehensive completion of county forms was not a priority of county management. Duplicate payments could occur because payments were made from photocopies and there were no controls to detect duplicate vendor invoice numbers.

A travel policy was adopted as part of the county code in November 1995 and revisions were approved which became effective September 3, 1996. Credit card and claims code, and policies and procedures as to the proper completion of related county forms were also approved for implementation as of the same date. Due to the timing of approval and implementation, we were unable to determine that these new policies will be adhered to by county personnel.

Without proper documentation and authorization of claims, the county cannot be assured that all expenditures paid from county funds are just, true, and unpaid obligations of the county. Errors and irregularities could also occur without being detected in a timely manner, if at all. We recommend that the county adhere to requirements related to the documentation and authorization of claims. This includes, but is not limited to the following:

- Original vendor invoices, receipts and other independent supporting documentation for all claims with the exception of unusual circumstances where documentation cannot be obtained.
- Indication of the items purchased and business purpose for all vendor or credit card receipts that do not provide adequate detail.
- Indication of the business purpose, parties involved, vendor name, dates, and times for all travel related expenses.
- Independent review of all personal reimbursement and travel claims submitted by department heads or officials.

- Submission of a fully itemized, certified travel expense voucher by all employees and officials for travel costs incurred by personal expense, travel advance or county credit card.
- Completion of all authorizing and approving signature lines on county claim forms and travel expense vouchers.
- Documentation of the procedures performed to support exceptions to bid law requirements.
- Development and implementation of controls to detect duplicate vendor payments.
- Approval of a uniform procedure to provide substitute documentation and approval for claims with lost receipts or in other instances where adequate independent support cannot be obtained.

Auditee's Response

*The County has completed a complete update of county code with policy and procedures for the claims process.*

3. The County Should Improve Internal Controls Over Imprest Accounts And Other Cash Deposits

During our review of various county bank accounts and cash deposits, we noted the following conditions:

- a. The county cannot provide a comprehensive list of established bank accounts.
- b. Some existing imprest accounts are not authorized by resolution of the county commissioners.
- c. Some imprest accounts are established from undeposited receipts instead of by treasurer's check or warrant.
- d. The year-end balances of some bank accounts and trust deposits are not included in the county's accounting records or financial statements.
- e. The revenue and expenditure activity of some bank accounts and trust deposits is not reflected in the county's accounting records.
- f. Disbursements from imprest accounts are not always supported by original receipts or other original supporting documentation or approved by department heads.
- g. Travel advances are made from imprest accounts which have not been authorized for that specific purpose.
- h. Travel reimbursements paid from imprest accounts are not always supported by a fully itemized travel expense voucher with supporting original vendor invoices or receipts. In many instances, meal receipts contain no information related to the persons attending or the business purpose.
- i. Disbursements from the Advance Travel Fund are made to persons other than officials and employees of the county.

RCW 42.24.090 states in part:

No claim for reimbursement of any expenditures by officers or employees of any municipal corporation or political subdivision of the state for transportation, lodging, meals or any other purpose shall be allowed by any officer, employee or board charged with auditing accounts unless the same shall be presented in a detailed account . . .

All claims authorized under this section shall be duly certified by the officer or employee submitting the claims on forms and in the manner prescribed by the state auditor.

RCW 42.24.120 states in part:

. . . the legislative body of a municipal corporation or political subdivision wishing to make advance payments of travel expenses to officials and employees . . . will establish . . . a revolving fund to be used solely for the purpose of making advance payments of travel expenses.

*Budgeting, Accounting and Reporting System (BARS) manual, Volume 1, Part 3, states in part*

Chapter 1, page 1:

. . . A governmental accounting system must make it possible both; (a) to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles . . .

Chapter 1, pages 22 and 23:

. . . Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination . . .

Transactions and other significant events are to be promptly recorded and properly classified . . .

Chapter 3, pages 23 and 24:

The following are minimum requirements for the establishment and operation of petty cash accounts.

1. The governing body must authorize each petty cash account . . . This applies also to all subsequent increases or decreases in the imprest amount . . .
5. The imprest amount may be established by treasurer's check or in double-entry systems by warrant . . .
6. The governing body must include the authorized amount of all such petty cash in the local government's balance sheet.
7. If petty cash is disbursed, it must be replenished at least monthly by warrant or check payable to the custodian. The replenishment should be subject to the same review and approval as processed

invoices. The replenishment must be by voucher with the appropriate receipts attached . . . At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized imprest amount . . . .

These conditions occurred because the county does not have written procedures for the establishment and control of bank accounts and other cash deposits. There also appears to be a lack of awareness by key financial personnel in county departments as to the requirements related to the establishment and operation of imprest accounts.

The absence of adequate internal controls over imprest accounts and other cash deposits could provide the opportunity for individuals to perpetrate and conceal fraudulent activities and increases the risk that these and other errors and/or irregularities could occur and not be detected in a timely manner, if at all. In addition, these control weaknesses result in inaccurate and incomplete reporting in the county financial statements. We determined that the misstatements to the financial statements were not material to the financial statements as a whole.

We recommend the county improve internal controls over imprest accounts and other cash deposits. This includes, but is not limited to the following:

- Determining all bank accounts and other cash deposits maintained by the county.
- Determining that all accounts and deposits have been approved by the county commissioners and are accurately reported in the financial statements.
- Adopting procedures to ensure that all key financial personnel of the county are aware of the requirements related to establishing and operating imprest accounts and cash deposits.

*Auditee's Response*

*The County is instituting a Cash Handlers Class for all County Departments' financial personnel.*

4. The County Should Improve Controls Over Public Works Materials Inventory

Our audit of the county's public works equipment rental accounts disclosed the county does not have a perpetual inventory system to account for the purchase and use of county road materials. Without this system, the county is unable to reconcile differences between physical counts and recorded materials account balances, thereby increasing the risk of undetected error and irregularities.

The *Budgeting, Accounting, and Reporting System (BARS)* manual, Volume 1, Part 3, Chapter 1, page 17 states in part:

6. Access to and Accountability for Resources . . . accountability for the custody and use of resources is to be assigned and maintained. Periodic comparisons shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset . . . .

This condition was noted during the prior audit. The county intends to improve controls over public works materials inventories, but employee turnover in the public works department has

affected the timeliness of the required improvements and no significant progress has been made in this area.

We recommend the county implement a perpetual materials inventory system. Any differences between the inventory system and physical counts should be investigated and explained.

5. The County Assessor Values Real Property Significantly Below True And Fair Value

During our audit of the assessor's office, we noted that the Department of Revenue indicated that the county had a 1995 real property ratio of 65.7 percent. This ratio was the aggregate of the following:

Real Property	67.28%
Current Use (Open Space) Improvements	78.81%
Current Use (Open Space) Land	58.41%

The ratio represents the Department of Revenue's comparison of assessed valuation and market valuation within the county. While it appears that all properties are placed on the tax rolls, tax levy rates are not being applied to the calculated real property undervaluation of \$528,529,018 as detailed below.

	<u>Assessed Valuation</u>	<u>Market Valuation</u>	<u>Under Valuation</u>
Real Property	\$672,603,740	\$999,708,294	\$327,104,554
Current Use (Open Space) Improvements	89,497,640	113,561,374	24,063,734
Current Use (Open Space) Land	249,178,170	426,601,900	<u>177,423,730</u>
			<u>\$528,592,018</u>

The county's past and current revaluation practices have resulted in an overall real property assessment level significantly below market value which has negatively impacted taxing districts in Whitman County and caused erosion in uniformity and fairness of real property assessments.

In an effort to take steps to remedy the situation, county officials met with representatives from the Department of Revenue in February 1996 and developed a four-year plan to completely revalue and inspect all properties in the county. The new revaluation schedule is to be implemented for assessment years beginning in 1997. As a preliminary increase, the assessed valuation for all properties was increased 3½ percent for assessment year 1996.

The Legislature has made the following declaration of policy regarding valuation of property for tax purposes:

RCW 84.41.010 states:

Declaration of policy. Recent comprehensive studies by the legislative council have disclosed gross inequality and nonuniformity in valuation of real property for tax purposes throughout the state. Serious nonuniformity in valuation exists both between similar property within the various taxing districts and between general levels of valuation in the various counties. Such nonuniformity results in inequality in taxation contrary to standards of fairness and uniformity required and established by the Constitution and is of such flagrant and widespread occurrence as to constitute a grave



emergency adversely affecting the state and local government and the welfare of all the people.

Traditional public policy of the state has vested large measure of control in matters of property valuation in county government, and the state hereby declares its purpose to continue such policy. However, present statutes and practices thereunder have failed to achieve the measure of uniformity required by the Constitution; the resultant widespread inequality and nonuniformity in valuation of property can and should no longer be tolerated. It thus becomes necessary to require general revaluation of property throughout the state.

Under RCW 84.41.090, county assessors are required to value property in accordance with standards established by RCW 84.40.030 and Department of Revenue rules, regulations, and manuals.

RCW 84.40.030 states in part:

All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.

Failure to comply with these requirements may result in action by the Department of Revenue or the County Prosecuting Attorney.

RCW 84.41.120 provides in part as follows:

... Whenever it appears to the department of revenue that any assessor has failed to comply with any of the provisions of this chapter relating to his duties or the rules of the department of revenue made in pursuance thereof, the department of revenue, after a hearing on the facts, may issue an order directing such assessor to comply with such provisions of this chapter or rules of the department of revenue. Such order shall be mailed by registered mail to the assessor at the county court house. If, upon expiration of fifteen days from the date such order is mailed, the assessor has not complied therewith or has not taken measures that will insure compliance within a reasonable time, the department of revenue may apply to a judge of the superior court or court commissioner of the county in which such assessor holds office, for an order returnable within five days from the date thereof to compel him to comply with such provisions of law or of the order of the department of revenue or to show cause why he should not be compelled so to do. Any order issued by the judge pursuant to such order to show cause shall be final. The remedy herein provided shall be cumulative and shall not exclude the department of revenue from exercising any powers or rights otherwise granted.

RCW 84.08.030 provides in part as follows:

The department of revenue shall examine and test the work of county assessors at any time ... and if it shall ascertain that any taxable property is ... not assessed or valued according to law, it shall bring the same to the attention of the assessor of the proper county in writing, and if such assessor shall neglect or refuse to comply with the request of the department of revenue ... to correct such incorrect assessment or valuation the department of revenue shall have the power to prepare a supplement to such assessment

list, which supplement shall include . . . all corrections required to be made  
....

RCW 84.09.040 provides as follows:

Every county auditor, county assessor and county treasurer who in any case refuses or knowingly neglects to perform any duty enjoined on him by this title, or who consents to or connives at any evasion of its provisions whereby any proceeding herein provided for is prevented or hindered, or whereby any property required to be listed for taxation is unlawfully exempted, or the valuation thereof is entered on the tax roll at less than its true and taxable value, shall, for every such neglect, refusal, consent or connivance, forfeit and pay to the state not less than two hundred nor more than one thousand dollars, at the discretion of the court, to be recovered before any court of competent jurisdiction upon the complaint of any citizen who is a taxpayer; and the prosecuting attorney shall prosecute such suit to judgment and execution.

The failure to value all real property at its true and fair value creates an inequality in taxation, violates state law and may result in significant loss of annual revenue to the taxing districts of Whitman County. In addition, the equalization process for the state school levy results in a reduction in tax revenue for the junior taxing districts.

We recommend that the Whitman County Assessor value all real property at 100 percent of its true and fair value in money and assess on the same basis. We also recommend that the Department of Revenue and the Whitman County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances.

#### Auditee's Response

*Whitman County valuations are below market value. The Whitman County Assessor's office is putting forth great effort and resources to rectify this problem.*

#### 6. Controls At The Whitman County Chemical Dependency And Mental Heath Center Should Be Improved

During our review of cash receipting and client billing at the Whitman County Chemical Dependency and Mental Health Center (the Center), we noted the following internal control weaknesses:

- Client Accounts Receivable

The Center does not maintain a control account for accounts receivables. The recorded receivable balance at December 31, 1995, was approximately \$100,000. Since credits and Medicaid payments and receivables are not adequately documented and accounted for as described below, we are unable to determine the validity of the recorded balance.

Courtesy discounts for third party insurance payments are calculated by a computer program based on a formula applied to the client account during initial account set up. These credits are not tracked on the adjustments log reflected in the monthly accounts receivable report or reviewed for propriety.

Preferred provider credits are entered to patient accounts manually. These credits are not tracked on the adjustments log reflected in the monthly accounts receivable report or reviewed for propriety.

Payments received from Medicaid are not properly reflected in the client receivables. The Center operates as a Prepaid Health Plan (PHP) and is reimbursed by Medicaid on a monthly allotment based on total clients services and not on a patient by patient basis. The Medicaid receivable is growing monthly and individual client balances are overstated as no credits are recorded for payments received. Although Center personnel indicate that Chemical Dependency is owed no money from Medicaid, a \$16,808 receivable is recorded in the Center subsidiary detail report and in the balance sheet receivables of the county.

Receivable aging information is reviewed on individual client bills and no system-wide accounts receivable aging report is prepared. There is no way to determine from this procedure that all accounts of the Center are reviewed for delinquent payments.

- Harvest House

Background:

The Center operates a small cafe and thrift store which is operated by the Center clients and monitored by Center staff. Meals are provided for clients, guests and Center staff. The thrift shop sells donated items such as housewares and knickknacks which are priced by clients.

Currently the clients, guests, and Center staff are allowed to charge their meals. Some individuals deposit money in advance to pay for the cost of their charged meals, but others carry a credit balance and owe the Harvest House for their meals. The detail of individual accounts is maintained in a manual ledger card system.

Receipting:

Harvest House kitchen staff does not track the number of meals sold. A slip of paper with the name and cash or charge sale is used to document the sale of a meal. These slips of paper do not indicate a date or whether the payment was made by cash or a check. Since there are no official prenumbered receipts issued and no total meal count, we cannot determine that all meals served are accounted for and properly documented as cash sales or entries to customer ledger cards.

The cafe operates out of a cash box that contains a small amount of cash to make change. The amount of change varies from day to day depending on the composition of the cash in the cash box at the end of each day. The Harvest House Cafe is not using an authorized change fund and change is taken from daily receipts.

The Harvest House Thrift Shop operates in much the same way with no inventory of items received or sold, no official, prenumbered receipts, and no authorized change fund.

Receivables:

There is no formal billing system to ensure that charges are paid in a timely manner. Individuals are notified monthly of their outstanding balance verbally or in a handwritten note which is not on a prenumbered official form.

There is no control account for the ledger system that ensures charges made and payments received are accurately recorded and receivable balances have been accurately calculated. These receivables are not recorded in the accounting records or financial statements of the county.

- Bank Accounts and Other Imprest Funds

The Center maintains a custodial payee account at a local bank. This account is used to account for the deposit and disbursement of Alcohol and Drug Addiction Treatment Support Act (ADATSA) funds. The receipts related to ADATSA are state grant moneys. This account has not been authorized by the county commissioners, and the transactions and bank balance of this account are not included in the official accounting records or financial statements of the county.

The Center maintains an imprest account that operates as a "loan fund" for clients. One hundred dollars of the authorized imprest fund for the Harvest House has been set aside for this purpose. This is not an appropriate use of an imprest fund which must not be used for personal cash advances or other I.O.U.s. The account is not operated, reconciled or replenished as required.

*Budgeting, Accounting and Reporting System (BARS) manual, Volume 1, Part 3, states in part:*

Chapter 1, page 1:

. . . A governmental accounting system must make it possible both; (a) to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles . . .

Chapter 1, pages 22 and 23:

. . . Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination . . .

Transactions and other significant events are to be promptly recorded and properly classified . . .

Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority . . .

Chapter 3, pages 23 and 24:

The following are minimum requirements for the establishment and operation of petty cash accounts.

1. The governing body must authorize each petty cash account . . . This applies also to subsequent increases or decreases in the imprest amount . . .
5. The imprest amount may be established by treasurer's check or in a double-entry system by warrant . . .
6. The governing body must include the authorized amount of all such petty cash in the local government's balance sheet . . .

9. The fund may not be used for personal cash advances even if secured by check or other I.O.U.s.

Many of these conditions were noted during prior audits and continue to exist because department personnel are not aware of all requirements that apply to their job responsibilities and county management is not apprised of all financial activities that operate in individual departments.

Due to the conditions noted above, some revenues, expenditures and assets of the Center are not reported in the county financial statements. Further, missing or unsupported entries to departmental accounts receivable subsidiary records result in unreliable balances. We determined that the misstatements to the financial statements are not material to the financial statements as a whole. Additionally, these internal control weaknesses could allow errors or irregularities to occur and not be detected in a timely manner, if at all.

We recommend the Center improve controls related to client receivables, Harvest House operations and bank accounts, and other imprest funds.

Auditee's Response

Client Accounts Receivable - The Counseling Services department is in the process of developing a control account for accounts receivable (primarily Medicaid and sliding fee scale clients) and this control account should be operational for beginning of 1997. This problem arose because our software package only shows billing information and not credit adjustments. We are in the process of looking at replacing this package.

- The \$16,808.00 Chemical Dependency Medicaid receivable was carried forward from previous years prior to consolidation of the departments. No money is actually owed and this amount will be adjusted off at the end of 1996.
- The procedure for following delinquent client account payments is to review each account each month. Due to the type of services provided under state contracts aging accounts are not very meaningful in this environment.

Harvest House Cafe - Counseling Services has already begun implementation of several of the recommendations in this area. People are no longer allowed to charge meals and pre-numbered receipts are now utilized. A resolution establishing an authorized charge fund has been developed and will be taken to the Board of Whitman County Commissioners for approval prior to the end of 1996.

Harvest House Thrift Shop - Pre-numbered receipts are now being used, a resolution establishing an authorized charge fund of \$5.00 has been developed and should be approved prior to the end of 1996.

Harvest House Receivable - There is a plan underway to collect, as possible, those credit amounts generated in 1996 prior to December 1, 1996. As mentioned above, no further credit is being extended for meals.

Bank Accounts and Other Imprest Funds - A meeting involving counseling services, the county treasurer, and the county financial director has been set for December 1996. This group will develop the resolution authorizing the ADATSA custodial payee account by the board of county commissioners.

Relative to the "loan fund" Counseling Services had decided to no longer offer this service to its clients.

7. The County Sheriff's Department Should Establish And Implement Adequate Controls Over Cash Activities

a. General Cash Receipts and Disbursements

Official county receipts are not issued for all transactions. We could not determine the total receipts received by the chief civil deputy or if all receipts are deposited with the treasurer. Official prenumbered receipts should be issued for all moneys received by the chief civil deputy or jail prior to forwarding them to the treasurer for deposit.

Commissary expenditures are processed through the treasurer's checking account and support for these transactions is not always adequate. There is no review or approval process for these expenditures as the treasurer's office receives no claim form or vendor support for the expenditures. The treasurer's check is written based on a signed authorization form from the chief civil deputy. During our review of the support file for commissary expenditures, we noted photocopies of invoices or receipts being used to support transactions and other instances where no invoices or receipts exist at all. These expenditures should be paid from the sheriff's revolving fund or by county warrant if not minor disbursements requiring immediate payment. All commissary expenditures should be supported by original vendor invoices or receipts. In addition, bail deposits receipted in the jail are forwarded to the chief civil deputy who deposited them with the treasurer for disbursement to the appropriate jurisdiction. These receipts should be forwarded directly to the court administrator. Disbursements processed through the treasurer's checking account for bail and other sheriff's department items exceeded \$53,000 during 1995.

The DARE program maintains a bank account for donations which is not accounted for in the county accounting records or financial statements. The county pays the salary for a full-time DARE officer and identifies the program as part of the services provided by the county. Even though a separate non-profit organization has been created, public perception is that the program is supported and approved by the county and therefore, funds generated by the program should be reported as county revenues and expended under budget authority and authorization of the county. In addition, the bank account should be authorized by the county commissioners or closed with the donations being deposited directly with the county treasurer.

b. Confidential Funds

The interlocal drug account and Drug Task Force Fund do not operate as imprest funds as required. The moneys are held in separate bank accounts with no established balance. When cash is disbursed, the account is not restored to its original balance by warrant drawn and charged to the applicable operating fund.

These funds are not authorized by resolution of the county commissioners.

Expenditures made from the funds are not supported by vendor invoices or receipts from the receiving officer or informer.

The funds are not reconciled to the related bank statements.

The activity and year-end bank balance of the Drug Task Force Fund is not recorded in the accounting records or financial statements of the county.

We cannot determine if these funds are used for the necessary and reasonable purpose of the program for which they are established because support for expenditures was not available for audit.

c. Inmate Personal Funds

The moneys on hand at year end are not accounted for through the trust funds in the county accounting records or financial statements.

Checks received from family or friends for deposit to inmate accounts are co-endorsed by the facilities commander and replaced with cash to be deposited on behalf of the inmate. Funds received by the county are not deposited intact and the facilities commander became personally liable at the bank for any nonsufficient funds items.

Adequate documentation is not maintained for some withdrawals from inmate funds for use in the commissary. The appropriate use of all funds held in trust cannot be determined.

Moneys withdrawn from inmate accounts for the payment of county work release fees are not reviewed by the inmates to substantiate the number of days recorded as worked or reconciled to jail records. We cannot determine that all fees owed by inmates for work release fees are received and deposited.

RCW 42.24.080 states in part:

All claims presented against any county . . . by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose shall be audited, before payment, by an auditing officer elected or appointed . . . Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer . . .

RCW 43.09.200 states in part:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments . . .

The system shall exhibit true accounts and detailed statements of funds collected, received and expended for account of the public for any purpose whatever, and by all public officers, employees and other persons.

The accounts shall show the receipt, use, and disposition of all public property . . . and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . (Emphasis ours.)

*Budgeting, Accounting and Reporting System (BARS) manual, Volume 1, Part 3, states in part:*

Chapter 1, page 1:

. . . A governmental accounting system must make it possible both; (a) to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the governmental unit in conformity with generally accepted accounting principles . . .

Chapter 1, pages 22 and 23:

... Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination . . .

Transactions and other significant events are to be promptly recorded and properly classified . . .

Chapter 3, page 23:

The following are minimum requirements for the establishment and operation of petty cash accounts.

1. The governing body must authorize each petty cash account . . . This applies also to all subsequent increases or decreases in the imprest amount . . .
6. The governing body must include the authorized amount of all such petty cash in the local government's balance sheet.
7. If petty cash is disbursed, it must be replenished at least monthly by warrant or check payable to the custodian. The replenishment should be subject to the same review and approval as processed invoices. The replenishment must be by voucher with the appropriate receipts attached . . . At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized imprest amount.

Chapter 12, page 1:

. . . Confidential expenditures are subject to appropriation by the municipality's governing body. The governing body must assure that the controls over disbursements are adequate to safeguard against misuse of such funds. When the funds are replenished, legislative approval should be based on a finding that the expenditures were necessary and reasonable for proper and efficient administration of the program under which they were used.

The funds authorized will be established in an imprest fund. The BARS manual Accounting Procedures Section of Petty Cash, Chapter 3. E, prescribes the minimum requirements for the establishment and operation of and imprest fund. In addition to all those requirement the following apply: . . .

- c. The custodian shall receive from the agency or officer authorized to make a confidential payment, a receipt for cash advanced to him for such purposes.
- d. The agent or officer shall receive from the informer a receipt . . .

These conditions exist because department personnel are not aware of all requirements that apply to their job responsibilities and county management is not apprised of all financial activities that operate in individual departments.



Inadequate systems of internal control could present individuals with the opportunity to perpetrate and conceal fraudulent activity without detection or allow errors or irregularities to occur and not be detected in a timely manner, if at all. In addition, these conditions result in revenues, expenditures, and assets of the sheriff's department not being reported in the county financial statements. We determined that the misstatements to the financial statements are not material to the financial statements as a whole.

We recommend the county sheriff's department establish and implement adequate controls over cash activities.

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Financial Statements And Additional  
Information**

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the accompanying general-purpose financial statements of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitman County, at December 31, 1995, and the results of its operations and cash flows of its proprietary fund types and trust funds for the fiscal year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of State Financial Assistance listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The special purpose districts listed in the supporting schedule are audited as a part of the trust and agency funds of Whitman County.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 13, 1996, on our consideration of the county's internal control structure and a report dated November 13, 1996, on its compliance with laws and regulations.

Brian Sonntag  
State Auditor

November 13, 1996

WHITMAN COUNTY, WASHINGTON  
January 1, 1995 Through December 31, 1995

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Independent Auditor's Report On Supplementary Information  
Schedule Of Federal Financial Assistance

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the general-purpose financial statements of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated November 13, 1996. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Whitman County taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag  
State Auditor

November 13, 1996

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

November 13, 1996

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Specific Requirements  
Applicable To Major Federal Financial Assistance Programs**

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the general-purpose financial statements of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated November 13, 1996.

We also have audited the county's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the fiscal year ended December 31, 1995. Those requirements include:

- types of services allowed or unallowed
- matching, level of effort, or earmarking
- reporting
- special tests and provisions related to vouchers, right-of-way, extensions, and sampling and testing as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments*
- claims for advances and reimbursements
- and amounts claimed or used for matching

The management of the county is responsible for the county's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Whitman County complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance program for the fiscal year ended December 31, 1995.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

November 13, 1996

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Compliance With Specific Requirements  
Applicable To Nonmajor Federal Financial Assistance Program Transactions**

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the general-purpose financial statements of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated November 13, 1996.

In connection with our audit of the financial statements of the county and with our consideration of the county's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended December 31, 1995. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Whitman County had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

November 13, 1996

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Independent Auditor's Report On Internal Control Structure Used In  
Administering Federal Financial Assistance Programs**

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Board of Commissioners  
Whitman County  
Colfax, Washington

We have audited the general-purpose financial statements of Whitman County, Washington, as of and for the fiscal year ended December 31, 1995, and have issued our report thereon dated November 13, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated November 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the county complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the county's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated November 13, 1996.

The management of the county is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.



Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
  - Cash receipts
  - Accounts payable
  - Purchasing and receiving
  - Payroll
  - General ledger
- **General Requirements**
  - Political activity
  - Davis-Bacon Act
  - Civil rights
  - Cash management
  - Federal financial reports
  - Allowable costs/cost principles
  - Administrative requirements
- **Specific Requirements**
  - Types of services
  - Matching, level of effort, earmarking
  - Reporting
  - Special requirements
- **Claims For Advances And Reimbursements**
- **Amounts Claimed Or Used For Matching**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
  - Cash disbursements
  - Receivables
  - Inventory control
  - Property, plant, and equipment
- **General Requirements**
  - Relocation assistance and real property acquisition
  - Drug-Free Workplace Act
  - Subrecipient monitoring
- **Specific Requirements**
  - Eligibility

During the fiscal year ended December 31, 1995, the county expended 62 percent of its total federal financial assistance under a major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the county's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the county's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The matters involving the internal control structure and its operation that we consider to be reportable conditions are included in the Schedule of Federal Findings accompanying this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the Schedule of Federal Findings is a material weakness.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag  
State Auditor

November 13, 1996

**WHITMAN COUNTY, WASHINGTON**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Federal Findings**

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1. The County Should Fully Integrate Grant Accounting In The General Accounting Records

The county's accounting system does not adequately identify the use of grant funds. Expenditures reported in requests for reimbursement prepared at the department level may not agree to the expenditures recorded in the centralized accounting system.

RCW 43.09.200 requires the State Auditor to prescribe uniform accounting systems. The State Auditor prescribes the *Budgeting, Accounting and Reporting Systems* (BARS) manual which states in Volume 1, Part 3, Chapter 5:

The U. S. Office of Management and Budget (OMB) Circular A-128 *Audits of State and Local Governments*, established many specific audit requirements. Those requirements, in turn include or necessitate the following accounting procedures.

1. Grant accounting must be integrated with the recipient's general accounting records. Claims for reimbursements or advances are supportable by the books and records.

OMB Circular A-87, *Cost Principles for State and Local Governments*, Attachment A, Part C. 1. "Factors affecting allowability of costs" states in part:

To be allowable under a grant program, costs must meet the following general criteria:

- f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period.

Without integrated grant accounting, the county is unable to assure that costs are not double billed or cross charged to more than one grant or that the centralized accounting records will agree to the departmental grant records.

This weakness was reported in the prior audit. Although the county has revised account coding to allow project codes for individual grant programs, the new system has not been implemented uniformly across all departments within the county.

We recommend the county fully integrate grant accounting in the general accounting records.

Auditee's Response

*The County Project Code System is in place in the Accounting System, however it has taken longer than anticipated to implement in all departments within the County.*

**WHITMAN COUNTY, WASHINGTON**

January 1, 1995 Through December 31, 1995

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## Status Of Prior Findings

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The findings contained in the prior audit report were resolved as follows:

1. The County Should Strengthen Internal Controls Over Payroll

*Resolution: The county has not taken the appropriate actions to resolve this issue.  
See Finding 1 in the management section.*

2. The County Should Properly Utilize Materials Inventory Control Accounts

*Resolution: The county has not taken the appropriate actions to resolve this issue.  
See Finding 4 in the management section.*

3. The County Assessor Values Real Property Significantly Below True And Fair Value

*Resolution: The county has not taken the appropriate actions to resolve this issue.  
See Finding 5 in the management section.*

The federal finding contained in the prior audit report was resolved as follows:

1. The County Should Fully Integrate Grant Accounting

*Resolution: The county has not taken the appropriate actions to resolve this issue.  
See Federal Finding 1 one in the single audit section.*